

**West Feliciana Parish Hospital
Service District No. 1
A Component Unit of the
West Feliciana Parish Police Jury
St. Francisville, Louisiana
October 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

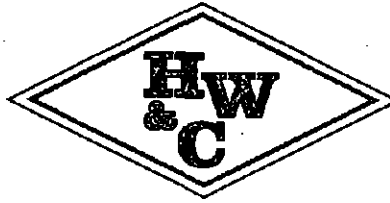
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April 8, 2011

Independent Auditor's Report

Board of Commissioners
West Feliciana Parish Hospital Service District No. 1
St. Francisville, Louisiana

We have audited the accompanying financial statements of

**West Feliciana Parish Hospital Service District No. 1 (the Hospital)
St. Francisville, Louisiana**

a component unit of the West Feliciana Parish Police Jury, St. Francisville, Louisiana, as of and for the year ended October 31, 2010. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of West Feliciana Parish Hospital Service District No. 1 as of October 31, 2009, were audited by other auditors whose report dated April 13, 2010, expressed an unqualified opinion on those financial statements. As described in Note 19, the 2009 financial statements have been restated to accrue property taxes.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the table of contents present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1, St. Francisville, Louisiana as of October 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2011, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Hospital taken as a whole. The accompanying supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

West Feliciana Parish Hospital Service District No. 1
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2010

This portion of the Hospital's annual financial reporting presents background information and management's review of the Hospital's financial performance during the fiscal year ending October 31, 2010. This Section should be interpreted within the context of financial statements as displayed in this report.

FINANCIAL HIGHLIGHTS

Fiscal year 2010 was another successful year. The number of services provided and Net Patient Revenue increased over the previous year. This increase set an all-time high for Net Patient Revenue of \$13,006,674. Non-operating revenue fell by a little over \$500,000 largely due to reductions in Interest Income and some falling Tax Revenue. Expenses rose in line with projections to \$13,366,179.

On the Statement of Net Assets, Current Assets, Assets Limited As to Use, and Capital Assets all showed increases. Current Liabilities decreased by \$404,187. Net Assets at the conclusion of the fiscal year increased to \$22,803,755, over a \$1.8 million increase over the previous year. All in all, the 2010 fiscal year was a strong financial year for the Hospital.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the Hospital report information regarding the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Assets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past year, and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operations and financial activities, as well as define the sources of cash, its use, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation and information.

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT

The Statements of Net Assets and Statements of Revenue, Expenses, and Changes in Net Assets report data about the Hospital's activities. These two (2) statements report net assets of the Hospital and changes in them. Increases or decreases in net assets are one indicator regarding the financial integrity of the Hospital. Other non financial indicators include changes in State and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

West Feliciana Parish Hospital Service District No. 1
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2010

Net Assets

A summary of the Hospital's Net Assets is displayed in the following table:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$8,580,152	\$7,849,152	\$15,533,023
Assets Limited as to Use	10,051,335	9,849,907	273,999
Capital Assets	<u>4,925,688</u>	<u>4,394,908</u>	<u>4,209,305</u>
Total Assets	<u>23,557,175</u>	<u>22,093,967</u>	<u>20,016,327</u>
Current Liabilities	753,420	1,157,607	1,838,049
Net Assets	<u>22,803,755</u>	<u>20,936,360</u>	<u>18,178,278</u>
Total Liabilities and Net Assets	<u>23,557,175</u>	<u>22,093,967</u>	<u>20,016,327</u>

The following table presents the components of the Hospital's net assets at October 31, 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Invested in capital assets	\$4,925,688	\$4,394,908	\$4,209,305
Restricted for capital projects (expendable)	10,051,335	9,849,907	273,999
Unrestricted net assets	<u>7,826,732</u>	<u>6,691,545</u>	<u>13,694,974</u>
Total net assets	<u>22,803,755</u>	<u>20,936,360</u>	<u>18,178,278</u>

Capital Assets

The following table presents the components of capital assets at October 31, 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	\$420,577	\$401,837	\$396,299
Buildings and leasehold improvements	3,867,126	3,824,901	2,223,805
Equipment	4,798,830	4,540,366	4,161,737
Construction in progress	<u>1,191,457</u>	<u>457,842</u>	<u>1,677,261</u>
	10,277,990	9,224,946	8,459,102
Less accumulated depreciation	<u>5,352,302</u>	<u>4,830,038</u>	<u>4,249,797</u>
Capital assets, net	<u>4,925,688</u>	<u>4,394,908</u>	<u>4,209,305</u>

West Feliciana Parish Hospital Service District No. 1
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2010

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the Hospital's revenues and expenses for the latest three fiscal years:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Patient Service Revenue	\$13,006,674	\$12,695,053	\$10,264,921
Other Operating Revenue	<u>19,526</u>	<u>16,830</u>	<u>11,730</u>
Total Operating Revenue	<u>13,026,200</u>	<u>12,711,883</u>	<u>10,276,651</u>
Salary Expense	5,199,006	4,924,623	4,564,809
Other Operating Expense	4,723,790	4,516,950	4,093,980
Provision for Bad Debts	2,766,206	2,563,021	1,800,267
Depreciation	<u>677,177</u>	<u>646,683</u>	<u>496,874</u>
Total Operating Expenses	<u>13,366,179</u>	<u>12,651,277</u>	<u>10,955,930</u>
Tax Revenues	1,863,519	2,115,385	2,047,943
Interest Income	265,560	388,762	401,377
Other Non-operating Revenue	81,731	217,838	71,474
Non-operating Expenses	<u>(3,436)</u>	<u>(24,509)</u>	<u>(6,195)</u>
Total Non-operating Revenues (Expenses)	<u>2,207,374</u>	<u>2,697,476</u>	<u>2,514,599</u>
Change in Net Assets	1,867,395	2,758,082	1,835,320
Net Assets at Beginning of Fiscal Year, as restated for 2009 and 2008	<u>20,936,360</u>	<u>18,178,278</u>	<u>16,342,958</u>
Net Assets at Conclusion of Fiscal Year	<u>22,803,755</u>	<u>20,936,360</u>	<u>18,178,278</u>

SOURCES OF REVENUE

The Hospital derives the majority of its of total revenue from patient service operations. The following table displays payor mix percentages as a function of total billed charges during 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare	23%	23%	26%
Medicaid	21%	19%	20%
Commercial	39%	40%	37%
Self-Pay	17%	18%	17%

The Hospital derives additional revenues from Ad Valorem Taxes, Grants, and Donations.

West Feliciana Parish Hospital Service District No. 1
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2010

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's primary source of revenue is patient service related, and particularly with a rural hospital, is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. This next table displays both discharge (billable) days, along with days in accounts receivable from 2010, 2009, and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Inpatient Discharge Days	421	620	588
Net Outstanding Days in A/R	36	50	47

BUDGET AND STRATEGY FOR FISCAL YEAR 2011

The 2011 budget was approved by the Board of Commissioners during its *regular meeting of October 2010*. Highlights and expectations regarding 2011 are as follows:

It is expected that many of the trends which have been in effect over the last several years will continue through the Budget year 2011. Net Patient Revenue is expected to increase by about 10%. Overall expenses are predicted to increase by 6%. Non-Operating Revenue is expected to decrease slightly due to decreases in interest and tax revenue. Department revenues are projected to increase in the Emergency Department, Laboratory, and Imaging. Physical Therapy revenue should increase beyond the current trend because of the addition of the Therapy pool which should be operational by May 2011. Concerns for the increase of Bad Debt and uncompensated care will continue to be addressed; however, with the number of patients without healthcare coverage increasing, the cost of uncompensated care will continue to rise.

Strategies for the Fiscal year 2011 include monitoring and establishing new procedures to reduce bad debts and uncompensated care, increasing swing bed admissions, and continuing to increase outpatient service revenue.

Implementing these strategies without compromising our mission to care for the patients we serve will still be our number one priority.

CONTACTING THE HOSPITAL'S CHIEF FINANCIAL OFFICER

This financial report is intended to provide our community, patients, and creditors with a general overview of the Hospital's financial position, and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer
West Feliciana Parish Hospital
5266 Commerce Street
St. Francisville, LA 70775

West Feliciana Parish Hospital Service District No. 1
Statements of Net Assets
October 31, 2010 and 2009

A s s e t s		<u>2010</u>	<u>2009</u>
Current Assets			
Cash and cash equivalents		\$1,510,235	\$1,738,722
Certificates of deposit		3,439,932	2,409,237
Accounts receivable, less allowance for doubtful accounts of \$2,338,738 for 2010 and \$2,043,525 for 2009		1,265,212	1,688,454
Due from third party payors		534,277	3,763
Accounts receivable - other		1,320,325	1,509,947
Inventories		389,164	398,433
Prepaid expenses		<u>121,007</u>	<u>100,596</u>
Total current assets		<u>8,580,152</u>	<u>7,849,152</u>
Assets Limited As to Use			
Cash		736,669	3,607,955
Investments		<u>9,314,666</u>	<u>6,241,952</u>
Total assets limited as to use		<u>10,051,335</u>	<u>9,849,907</u>
Capital Assets			
Land and land improvements		420,578	401,837
Buildings and leasehold improvements		3,867,125	3,824,901
Equipment		4,798,830	4,540,366
Construction in progress		<u>1,191,457</u>	<u>457,842</u>
Gross capital assets		10,277,990	9,224,946
Less: accumulated depreciation		<u>5,352,302</u>	<u>4,830,038</u>
Total capital assets, net		<u>4,925,688</u>	<u>4,394,908</u>
Total assets		<u>23,557,175</u>	<u>22,093,967</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		383,634	267,532
Due to third party payors			611,907
Accrued salaries and wages		199,037	129,982
Accrued compensated absences		<u>170,749</u>	<u>148,186</u>
Total current liabilities		<u>753,420</u>	<u>1,157,607</u>
Net Assets			
Invested in capital assets		4,925,688	4,394,908
Reserved for capital projects (expendable)		10,051,335	9,849,907
Unrestricted net assets		<u>7,826,732</u>	<u>6,691,545</u>
Total net assets		<u>22,803,755</u>	<u>20,936,360</u>
Total liabilities and net assets		<u>23,557,175</u>	<u>22,093,967</u>

The accompanying notes are an integral part of these statements.

West Feliciana Parish Hospital Service District No. 1
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue		
Net patient service revenue	\$13,006,674	\$12,695,053
Other operating revenue	<u>19,526</u>	<u>16,830</u>
Total operating revenue	<u>13,026,200</u>	<u>12,711,883</u>
Operating Expenses		
Salaries, wages and benefits	5,199,006	4,924,623
Professional services	2,539,123	2,434,569
Supplies and other	1,172,506	1,182,263
Provision for bad debts	2,766,206	2,563,021
Depreciation	677,177	646,683
Other operating expenses	<u>1,012,161</u>	<u>900,118</u>
Total operating expenses	<u>13,366,179</u>	<u>12,651,277</u>
Operating income (loss)	<u>(339,979)</u>	<u>60,606</u>
Non-Operating Revenues (Expenses)		
Interest income	265,560	388,762
Interest expense	(3,436)	(1,559)
Tax revenues	1,863,519	2,115,385
Grant revenue	36,510	97,334
Gain (Loss) on sale of assets	302	(22,950)
Proceeds from insurance and FEMA	13,793	103,059
Other non-operating revenues	<u>31,126</u>	<u>17,445</u>
Total non-operating revenues	<u>2,207,374</u>	<u>2,697,476</u>
Change in Net Assets	<u>1,867,395</u>	<u>2,758,082</u>
Net Assets, beginning of year as previously reported	20,936,360	17,741,448
Prior Period Adjustment Error in accruing property taxes	<u> </u>	<u>436,830</u>
Net Assets, beginning of year as restated	<u>20,936,360</u>	<u>18,178,278</u>
Net Assets, end of year	<u>22,803,755</u>	<u>20,936,360</u>

The accompanying notes are an integral part of these statements.

West Feliciana Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Receipts from patients	\$10,002,416	\$11,933,941
Payments to suppliers for goods and services	(5,230,737)	(7,967,884)
Payments to employees for services	<u>(5,107,388)</u>	<u>(4,953,331)</u>
<u>Net cash used in operating activities</u>	<u>(335,709)</u>	<u>(987,274)</u>
Cash Flows From Non-Capital Financing Activities		
Tax receipts	2,168,045	2,132,659
Grants receipts	50,303	97,334
Insurance proceeds		103,059
Other income	<u>59,250</u>	<u>17,442</u>
<u>Net cash provided by non-capital financing activities</u>	<u>2,277,598</u>	<u>2,350,494</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(1,207,957)	(855,271)
Interest paid	<u>(3,436)</u>	<u>(1,559)</u>
<u>Net cash used in capital and related financing activities</u>	<u>(1,211,393)</u>	<u>(856,830)</u>
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,780,695)	(1,361,347)
Sales and maturities of certificates of deposit	750,000	5,500,000
Purchase of investments	(4,538,713)	(6,565,419)
Sales and maturities of investments	1,466,000	579,000
Interest income	272,837	331,232
Proceeds from sale of assets	<u>302</u>	<u>35</u>
<u>Net cash used in investing activities</u>	<u>(3,830,269)</u>	<u>(1,516,499)</u>
Net Decrease in Cash and Cash Equivalents	(3,099,773)	(1,010,109)
Cash and Cash Equivalents, beginning of year		
Including \$3,607,955 and \$18,466 limited		
as to use for 2010 and 2009, respectively	<u>5,346,677</u>	<u>6,356,786</u>
Cash and Cash Equivalents, end of year		
Including \$736,669 and \$3,607,955 limited		
as to use for 2010 and 2009, respectively	<u>2,246,904</u>	<u>5,346,677</u>

The accompanying notes are an integral part of these statements.

West Feliciana Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income (loss)	(\$339,979)	\$60,606
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	677,177	646,683
Provision for doubtful accounts	2,766,206	2,563,021
Loss on disposal of fixed assets		22,985
Changes in operating assets and liabilities		
(Increase) Decrease in patient accounts receivable	(2,342,964)	(2,957,471)
(Increase) Decrease in due from third party payors	(530,514)	99,606
(Increase) Decrease in other receivables	(150,306)	(1,910,450)
Decrease (Increase) in inventory	9,269	(83,013)
Decrease (Increase) in prepaid expenses	(20,411)	(26,438)
Increase (Decrease) in accounts payable	116,102	(32,885)
Increase (Decrease) in due to third party payors	(611,907)	601,374
Increase (Decrease) in accrued salaries and wages	69,055	29,662
Increase (Decrease) in accrued compensated absences	<u>22,563</u>	<u>(954)</u>
Net cash used in operating activities	<u><u>(335,709)</u></u>	<u><u>(987,274)</u></u>

The accompanying notes are an integral part of these statements.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 1-Summary of Significant Accounting Policies

A. Legal Organization

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital Service District No. 1 (hereinafter sometimes called the "Hospital") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is composed of all the territory situated within the limits of the Parish of West Feliciana, Louisiana.

The governing authority of the Hospital consists of a board of seven (7) commissioners, all of whom are qualified electors of the Parish of West Feliciana, Louisiana. The Commissioners serve with pay, per diem, and reimbursement of actual out-of-pocket expenses incurred in the performance of their duties.

B. Nature of Business

The public purpose of the Hospital is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the Hospital will find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

The Hospital's component unit financial statements are an integral part of the West Feliciana Parish Police Jury's comprehensive annual financial report.

C. Basis of Accounting

The Hospital utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As a Proprietary Fund, the Hospital distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital's proprietary fund are charges to customers related to patient services. Operating expense for the Hospital's proprietary fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Hospital in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The Hospital follows GASB standards for state and local governments which require that resources be classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in Capital Assets, Net of Related Debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- *Restricted Net Assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

F. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of 1) Hospital professional liability and comprehensive general liability, and 2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. As of the balance sheet date, the Hospital has no known malpractice claims exceeding its coverage.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 1-Summary of Significant Accounting Policies (Continued)

G. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Hospital considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

H. Investments

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

I. Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

J. Inventories

Inventories are valued at the lower of cost or market (first-in, first-out method).

K. Capital Assets

Capital assets are stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital had no capitalized interest for the years ended October 31, 2010 and 2009.

The following estimated useful lives are used:

Buildings and Leasehold Improvements	5 - 40 years
Equipment	5 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 1-Summary of Significant Accounting Policies (Continued)

L. Operating Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

M. Net Patient Service Revenue

The Hospital is a "Critical Access Hospital" (CAH) which allows it to receive cost based reimbursements from Medicare.

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus one percent (subject to limits, rules and regulations), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2008.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus ten percent, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2007.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be recorded in the year such differences arise.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 1-Summary of Significant Accounting Policies (Continued)

M. Net Patient Service Revenue (Continued)

Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care (UCC) payments. This payment is based upon estimated uncompensated care costs and is subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. These adjustments will be recorded in the year they are realized. Coverage for uncompensated care is based on the State's fiscal year.

N. Property Taxes

The Hospital receives a 2.00 mill property tax which is levied January 1 each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years collections of assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The tax is in effect through December 31, 2015.

O. Grants and Donations

Grants and donations (including capital contributions of assets) are recognized as revenue when all eligibility requirements, including time requirements, imposed by the provider have been met.

P. Income Taxes

The Hospital is exempt from income taxes under Internal Revenue Code Section 115.

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$48,239 and \$42,004 were expensed in 2010 and 2009, respectively.

R. Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

S. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the change in net assets.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 2-Major Sources of Revenue

Revenue from the Medicare, Medicaid, and Uncompensated Care Cost (UCC) programs accounted for the following percentages of the Hospital's net patient revenue for the years ended October 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Medicare	22.9%	23.5%
Medicaid	20.9%	18.7%
Uncompensated Care	13.1%	13.4%

As a result of audits of prior years Medicare and Medicaid cost reports, net patient service revenue increased by \$303,718 during 2010, and net patient service revenue decreased by \$116,672 during 2009.

Note 3-Deferred Uncompensated Care Revenue

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year. Included in the net patient service revenue for 2010 and 2009, are additional reimbursements for Medicaid Uncompensated Care adjustments of \$1,451,954 and \$1,703,329, respectively.

Note 4-Net Patient Service Revenue

The following schedule represents Net Patient Service Revenue at October 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Gross patient service revenue	\$16,038,873	\$15,975,720
Less: contractual adjustment	<u>4,484,153</u>	<u>4,983,996</u>
	11,554,720	10,991,724
Uncompensated care income	<u>1,451,954</u>	<u>1,703,329</u>
<u>Net patient service revenue</u>	<u>13,006,674</u>	<u>12,695,053</u>

Note 5-Cash and Investments

At October 31, 2010 and 2009, the Hospital had bank balances defined as cash and cash equivalents and investments in certificates of deposit as follows:

	<u>2010</u>	<u>2009</u>
FDIC insured	\$2,325,830	\$500,000
Pledged securities	<u>5,329,479</u>	<u>6,199,052</u>
<u>Total collateral held for bank balances</u>	<u>7,655,309</u>	<u>6,699,052</u>
<u>Total carrying value per bank</u>	<u>5,815,715</u>	<u>5,467,323</u>

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 5-Cash and Investments (Continued)

As of October 31, 2010 and 2009, the Hospital's total bank balances were fully insured and collateralized with securities held in the name of the Hospital by the pledging financial institution's agent.

The Hospital's investment policies comply with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; investment grade commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; and government backed mutual trust funds.

The Hospital adopted the Fair Value Measurement Topic of the FASB Accounting Standards Codification. Under the Fair Value Measurement Topic, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. This topic establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Hospital. Unobservable inputs are inputs that reflect the Hospital's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 5-Cash and Investments (Continued)

The following presents assets measured at fair value on a recurring basis as of October 31, 2010 and 2009:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observ- able Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
October 31, 2010				
FNMA notes and Federal home loan bank bonds/notes	\$7,767,354	\$7,767,354		
Treasury bills	<u>1,547,312</u>	<u>1,547,312</u>		
	<u>9,314,666</u>	<u>9,314,666</u>		
October 31, 2009				
FNMA notes and Federal home loan bank bonds/notes	\$4,694,392	\$4,694,392		
Treasury bills	<u>1,547,560</u>	<u>1,547,560</u>		
	<u>6,241,952</u>	<u>6,241,952</u>		

Note 6-Certificates of Deposit

The Hospital has certificates of deposit with various federally insured financial institutions. The certificates of deposit bear interest at rates averaging 2.38% per annum and have maturity dates ranging from six months to five years.

Note 7-Assets Limited As To Use

During the fiscal year ended October 31, 2009, the Board of Commissioners of the Hospital resolved to increase the amount of funds included in funded depreciation. This includes Merrill Lynch accounts, a savings account, and the Treasury Direct Account. The resolution states "all funds on deposit together with all funds hereafter added to and interest accrued thereon held in those accounts are hereby dedicated and reserved for the replacement of depreciable capital assets or portions thereof."

Assets whose use is limited under Board designations for the replacement of depreciable capital assets are summarized as follows.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 7-Assets Limited As To Use (Continued)

	<u>2010</u>	<u>2009</u>
Cash		
Merrill Lynch Cash and Government Fund		
Fund yielding .02% to .25%	\$107,772	\$3,001,257
Hancock Bank savings yielding .10%	<u>628,897</u>	<u>606,698</u>
Total cash limited as to use	<u>736,669</u>	<u>3,607,955</u>
Investments		
Merrill Lynch FNMA Notes, Federal Home		
Bank Bonds and Notes yielding up to 5.01%	\$7,767,354	\$4,694,392
Treasury Bills	<u>1,547,312</u>	<u>1,547,560</u>
Total investments limited as to use	<u>9,314,666</u>	<u>6,241,952</u>
Total Assets Limited as to Use	<u>10,051,335</u>	<u>9,849,907</u>

Note 8-Accounts Receivable - Patients

Patient account receivables consist of the following:

	<u>2010</u>	<u>2009</u>
Total patient accounts receivable	\$3,603,950	\$3,731,979
Less: allowance for uncollectible accounts	<u>2,338,738</u>	<u>2,043,525</u>
Net patient accounts receivable	<u>1,265,212</u>	<u>1,688,454</u>

Note 9-Accounts Receivable - Other

Other accounts receivable consists of the following:

	<u>2010</u>	<u>2009</u>
Accrued uncompensated care	\$584,189	\$433,399
Uncollected sales tax revenue	242,725	547,251
Accrued maintenance ad valorem tax revenue	435,434	435,135
All other	<u>57,977</u>	<u>94,162</u>
Total accounts receivable - other	<u>1,320,325</u>	<u>1,509,947</u>

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 10-Capital Assets

A summary of capital assets additions, deductions, and balances at October 31, 2010 and 2009 are as follows:

	Balance October 31, 2009	Additions	Deductions	Balance October 31, 2010
Land and land improvements	\$401,837	\$18,740		\$420,577
Buildings and leasehold improvements	3,824,901	42,225		3,867,126
Equipment	4,540,366	413,377	(\$154,913)	4,798,830
Construction in progress	<u>457,842</u>	<u>741,915</u>	<u>(8,300)</u>	<u>1,191,457</u>
	9,224,946	1,216,257	(163,213)	10,277,990
Accumulated depreciation	<u>(4,830,038)</u>	<u>(677,177)</u>	<u>154,913</u>	<u>(5,352,302)</u>
Total capital assets, net	<u>4,394,908</u>	<u>539,080</u>	<u>(8,300)</u>	<u>4,925,688</u>

	Balance October 31, 2008	Additions	Deductions	Balance October 31, 2009
Land and land improvements	\$396,299	\$5,538		\$401,837
Buildings and leasehold improvements	2,223,805	1,618,801	(\$17,705)	3,824,901
Equipment	4,161,737	450,351	(71,722)	4,540,366
Construction in progress	<u>1,677,261</u>	<u>160,210</u>	<u>(1,379,629)</u>	<u>457,842</u>
	8,459,102	2,234,900	(1,469,056)	9,224,946
Accumulated depreciation	<u>(4,249,797)</u>	<u>(646,683)</u>	<u>66,442</u>	<u>(4,830,038)</u>
Total capital assets, net	<u>4,209,305</u>	<u>1,588,217</u>	<u>(1,402,614)</u>	<u>4,394,908</u>

Depreciation expense for the years ended October 31, 2010 and 2009, amounted to \$677,177 and \$646,683, respectively.

Note 11-Operating Leases

Lessee

The Hospital leases various equipment and facilities classified under operating leases. At October 31, 2010, there were no operating leases with remaining terms in excess of one year. Total lease expense was \$38,400 in 2010 and \$44,083 in 2009.

Lessor

The Hospital leases office space within the Hospital to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenues from these leases totaled \$24,863 in 2010 and \$12,160 in 2009. These revenues are included in other non-operating revenue in the financial statements.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 12-Tax Revenue

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish, Louisiana. The sales tax is used for the operation of the Hospital and the property tax is to be used for operation and maintenance of the Hospital.

Tax revenues were as follows:

	<u>2010</u>	<u>2009</u>
Sales tax	\$1,330,955	\$1,562,525
Ad valorem tax	509,175	530,863
State revenue sharing	<u>23,389</u>	<u>21,997</u>
Total tax revenues	<u>1,863,519</u>	<u>2,115,385</u>

Note 13-Cash Flows Supplemental Information

Total cash and cash equivalents for October 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$1,510,235	\$1,738,722
Assets whose use is limited - cash	<u>736,669</u>	<u>3,607,955</u>
Ending cash and cash equivalents	<u>2,246,904</u>	<u>5,346,677</u>

Note 14-Compensated Absences

Accumulated unpaid vacation is accrued when earned. Employees can earn and vest in vacation leave according to years of service as shown below:

<u>Years of Service</u>	<u>Full-Time Employees</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2010 and 2009 were \$170,749 and \$148,186, respectively.

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 15-Retirement Plan

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches contributions made by an employee up to six percent of the employee's compensation. Total payroll for the fiscal years ended October 31, 2010 and 2009, was \$4,224,821 and \$3,956,834, respectively. Covered payroll for the years 2010 and 2009 was \$4,184,237 and \$3,943,820, respectively. Total pension expense was \$141,331 and \$142,530 for 2010 and 2009, respectively.

Note 16-Commitments

Commitments for the purchase of property, plant, and equipment at October 31, 2010 totaled \$273,154.

Note 17-Concentration of Credit Risk

The Hospital is located in St. Francisville, Louisiana, and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Medicare	24.3%	18.9%
Medicaid	14.2%	10.5%
Commercial and other third-party payors	<u>61.5%</u>	<u>70.6%</u>
	<u>100.0%</u>	<u>100.0%</u>

Note 18-Payments to Board Members

The following is a schedule showing the amount paid to board members for the years ended October 31:

	<u>2010</u>	<u>2009</u>
Mitch Brasier	\$440	\$480
Barbara Edmisten	200	440
Thomas Flynn		200
Cheryl Franklin	200	480
Raymond Minor	520	560
Sydney Picou		480
Leonard Sullivan	240	
David Walker	280	320
Sydney Walker	<u>160</u>	<u> </u>
	<u>2,040</u>	<u>2,960</u>

West Feliciana Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2010 and 2009

Note 19-Prior Period Adjustment

The accompanying financial statements for 2009 have been restated to correct an error in accruing property taxes. The effect of the restatement was to increase net assets for 2009 by \$436,830.

Note 20 -Subsequent Events

West Feliciana Parish Hospital Service District No. 1 evaluated all subsequent events through April 8, 2011, the date the financial statements were available to be issued.

Supplementary Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

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BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

April 8, 2011

**Independent Auditor's Report
on Supplementary Information**

The Board of Commissioners
West Feliciana Parish Hospital Service District No. 1
St. Francisville, Louisiana

We have audited the financial statements of West Feliciana Parish Hospital Service District No. 1 as of and for the year ended October 31, 2010, and our report thereon dated April 8, 2011, which expressed an unqualified opinion on those financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the 2010 financial statements taken as a whole. The supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the 2010 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statements or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended October 31, 2010, as a whole.

The financial statements of West Feliciana Parish Hospital Service District No. 1 for the year ended October 31, 2009, were audited by other auditors and their report thereon dated April 13, 2010, expressed an unqualified opinion on those financial statements. Their report on supplementary information stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended October 31, 2009.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

West Feliciana Parish Hospital Service District No. 1
Supplementary Information - Patient Service Revenue
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Patient Service Revenue		
Nursing services	\$563,401	\$704,672
Sleep studies	123,900	187,500
Speech therapy	36,341	9,949
Occupational therapy	289,290	185,309
Surgery	50,372	82,186
Wound Care	311,283	463,020
Emergency services	2,660,459	2,477,726
Central services	42,426	48,487
Laboratory	3,590,251	3,500,398
Blood bank	8,768	45,921
Radiology - diagnostic	963,819	913,879
Ambulance service	973,669	861,591
Respiratory therapy	536,962	620,675
Pharmacy	442,945	466,505
Physical therapy	940,063	918,357
Anesthesiology	11,100	18,300
Electrocardiology	97,136	105,873
Echocardiogram	228,513	290,613
CT Scan	2,059,408	1,898,952
Ultrasound	317,392	254,903
MRI Scan	353,869	395,834
Intensive outpatient psychiatric program		109,025
Physician's fees	<u>1,437,507</u>	<u>1,416,045</u>
Gross patient service revenue	16,038,874	15,975,720
Less: contractual adjustments	<u>(4,484,154)</u>	<u>(4,983,996)</u>
Net patient service revenue before uncompensated care	11,554,720	10,991,724
Uncompensated care income	<u>1,451,954</u>	<u>1,703,329</u>
<u>Net patient service revenue</u>	<u>13,006,674</u>	<u>12,695,053</u>

West Feliciana Parish Hospital Service District No. 1
Supplementary Information - Operating Expenses
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries, Wages and Benefits		
Nursing	\$724,179	\$729,725
Utilization review	78,086	73,450
Surgery	2,810	5,146
Emergency room	259,305	241,580
Central supply	95,015	74,200
Laboratory Technicians	411,207	356,131
Radiology	325,573	294,776
Ambulance	667,134	602,852
Respiratory Therapy	283,773	287,454
Echocardiogram	35,818	26,360
Ultrasound	75,543	81,104
Medical records	135,457	136,622
Business office	474,095	459,586
Plant operations	197,484	184,982
Dietary management	95,927	90,993
Housekeeping	126,909	136,507
Administrative	187,556	129,153
Purchasing	<u>48,951</u>	<u>46,213</u>
Total salaries and wages	4,224,822	3,956,834
 Total benefits	 <u>974,184</u>	 <u>967,789</u>
 Total salaries, wages, and benefits	 <u>5,199,006</u>	 <u>4,924,623</u>

West Feliciana Parish Hospital Service District No. 1
Supplementary Information - Operating Expenses
Years Ended October 31, 2010 and 2009

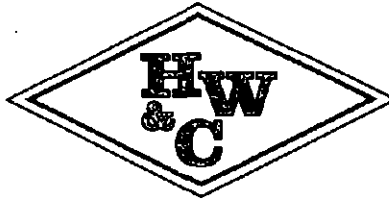
	<u>2010</u>	<u>2009</u>
Professional Fees		
Nursing	\$17,723	\$2,300
Surgery	11,327	
Wound Care	155,550	210,980
Emergency Room physician fees	1,138,380	1,064,635
Laboratory	123,124	120,616
Radiology	4,394	13,250
Ambulance	8,715	3,570
Sleep studies	18,700	30,250
Respiratory therapy	2,500	7,073
Pharmacy	83,931	60,990
Physical therapy	309,080	332,285
Echocardiogram	3,738	5,833
CT Scan		2,550
Ultrasound	1,740	7,418
MRI Scan	102,705	103,593
Speech therapy	15,690	4,050
Intensive outpatient psychiatric program	240	72,800
Occupational therapy	86,691	53,535
Business office	42,138	18,465
Plant operations	105,015	61,843
Dietary	23,496	27,945
Laundry/linen	108,695	96,095
Administrative	105,681	69,391
Blood	13,857	25,514
Doctor's offices	661	3,146
All other	<u>55,352</u>	<u>36,442</u>
<u>Total professional fees</u>	<u>2,539,123</u>	<u>2,434,569</u>

West Feliciana Parish Hospital Service District No. 1
Supplementary Information - Operating Expenses
Years Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Supplies and Other Expenses		
Nursing	\$42,741	\$50,449
Surgery	1,935	5,951
Wound Care	1,336	473
Emergency Room	34,665	51,360
Central services	156,475	59,532
Laboratory	279,350	284,167
Radiology	6,243	19,327
Ambulance	120,526	71,651
Respiratory therapy	17,110	33,361
Pharmacy	151,902	190,530
Physical therapy	17,196	22,379
CT Scan	8,978	29,605
Ultrasound	4,169	6,604
MRI Scan	12	108
Intensive outpatient psychiatric program	909	2,668
Business office	22,059	40,067
Plant operations	166,349	109,236
Dietary	60,524	61,055
Housekeeping	21,162	28,459
Administrative	43,052	41,814
All other	<u>15,813</u>	<u>73,467</u>
Total supplies and other expenses	<u><u>1,172,506</u></u>	<u><u>1,182,263</u></u>
Other Operating Expenses		
Nursing services	15,480	16,525
Pharmacy	485	1,682
Laboratory	34,364	10,993
Radiology	42,241	41,578
CT Scan	80,931	2,280
Ultrasound	7,203	3,002
Physical therapy	5,243	2,767
Ambulance	9,537	1,552
Medical records	5,918	4,745
Plant operations	138,732	146,249
Administrative	105,201	122,401
Collection fees	101,531	86,794
Audit and legal fees	80,272	100,017
Postage	8,751	10,411
Equipment rental	38,400	44,083
Dues and subscriptions	22,218	13,673
All other	<u>315,654</u>	<u>291,366</u>
Total other operating expenses	<u><u>1,012,161</u></u>	<u><u>900,118</u></u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
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April 8, 2011

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
West Feliciana Parish Hospital Service District No. 1
St. Francisville, Louisiana

We have audited the financial statements of West Feliciana Parish Hospital Service District No. 1, a component unit of the West Feliciana Parish Police Jury, State of Louisiana, as of and for the year ended October 31, 2010, and have issued our report thereon dated April 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the

accompanying schedule of findings and questioned costs as item 2010-01, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Feliciana Parish Hospital Service District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, the Hospital's management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

West Feliciana Parish Hospital Service District No.1
Summary Schedule of Audit Findings
October 31, 2010

Findings - Financial Statement Audit

2010-01 Segregation of Duties

Condition

The Hospital has a few employees whose duties are not segregated. An accounting employee receives the unopened bank statements for the Deposit, Payroll, and Savings Accounts, reviews the accounts for unusual transactions, and reconciles the accounts. The reconciliations are not reviewed by anyone.

Also, the responsibility for receiving payments, posting payments to the accounting system, endorsing checks for deposit, and preparing the daily deposit is the responsibility of one employee.

Criteria

To ensure good internal controls and best practices for governmental entities.

Effect

This condition represents a significant deficiency in the Hospital's internal control system.

Recommendation

The authorization, recording, and reconciliation of transactions and decisions and the custody of assets related to those transactions should be segregated.

Management's Response

The Hospital will continue to segregate duties where financially feasible.

West Feliciana Parish Hospital Service District No. 1
Schedule of Prior Year Findings
October 31, 2010

Findings - Financial Statement Audit

2009-01 Compliance

Condition

The Hospital has reported several compliance issues to the board during the fiscal year under audit. The Hospital's maintenance supervisor is suspected to have used hospital equipment and salvaged goods for personal use, and the Hospital's CEO was receiving compensation from a vendor of the Hospital.

Status

This finding has been resolved.

2009-02 Financial Statement Preparation

Condition

The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and because of the limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status

This finding has been resolved.

2009-03 Segregation of Duties

Condition

The Hospital has several employees whose duties are not segregated.

Status

This is a repeat finding. See Finding 2010-01.

2009-04 Disaster Payroll Policy

Condition

During the days after Hurricane Gustav, it was found that employees who worked were paid at overtime rates for regular hours worked. The Hospital has not established and approved final policy on disaster pay.

Status

The Hospital implemented a disaster pay policy in 2010. This finding has been resolved.